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REPORT TO THE LEGISLATURE
DEPARTMENT OF HEALTH
AND ENVIRONMENTAL SCIENCES
Financial-Compliance Audit for the
Two Fiscal Years Ended June 30, 1984

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STATE OF MONTANA
REPORT TO THE LEGISLATURE
DEPARTMENT OF HEALTH
AND ENVIRONMENTAL SCIENCES

Financial-Compliance Audit for the
Two Fiscal Years Ended June 30, 1984

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ADMINISTRATIVE OFFICIALS

DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

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Director

John W. Bartlett
Deputy Director

Raymond J. Hoffman
Administrator
Financial Management Division

Donald G. Willems
Administrator
Environmental Sciences Division

George M. Fenner
Administrator
Health Services and Medical Facilities Division

Yvonne Sylva
Administrator
Management Services Division

SUMMARY OF RECOMMENDATIONS

This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply.

Page

Recommendation #1

The department provide adequate documentation to support the transfers made to the General Fund and to the Indirect Cost Account of the Special Revenue Fund.

3

Agency Response: Conditionally concur. See page 24.

Recommendation #2

The department reimburse the General Fund for indirect costs in accordance with the executive management memo.

4

Agency Response: Conditionally concur. See page 24.

Recommendation #3

The department ensure subrecipients maintain adequate WIC support documentation in accordance with federal regulations.

6

Agency Response: Concur. See page 24.

Recommendation #4

The department:

- A. Establish a system to ensure counties comply with the provisions outlined in the block grant contracts.

7

Agency Response: Concur. See page 25.

- B. Request the county return the \$2,782 spent on unallowable costs.

7

Agency Response: Concur. See page 25.

Recommendation #5

The department require subrecipients to obtain audits in accordance with federal regulations.

8

Agency Response: Concur. See page 25.

SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
<u>Recommendation #6</u>	
The department prepare federal reports in accordance with federal regulations.	8
Agency Response: Concur. See page 25.	
<u>Recommendation #7</u>	
The department properly record cash transactions during the fiscal year-end period.	9
Agency Response: Concur. See page 25.	
<u>Recommendation #8</u>	
The department properly account for accounts receivable, deferred revenue, and fund balance.	10
Agency Response: Concur. See page 25.	
<u>Recommendation #9</u>	
The department:	
A. Establish procedures to ensure terminating employees are only paid for holidays in accordance with state policy.	12
Agency Response: Concur. See page 25.	
B. Establish procedures to ensure terminating employees are properly compensated for compensatory time.	12
Agency Response: Concur. See page 25.	
C. Recover payments erroneously made to employees for holidays that occurred after their termination date.	12
Agency Response: Concur. See page 25.	

INTRODUCTION

We performed a financial-compliance audit of the Department of Health and Environmental Sciences (DHES) for the two fiscal years ended June 30, 1984. The objectives of the audit were to: 1) determine if the department's financial statements present fairly the financial position at June 30, 1984 and the results of its operations for the two fiscal years then ended; 2) determine the department's compliance with applicable laws and regulations; and 3) review the adequacy of the management information system and make recommendations for improvement in the department's management and internal controls.

This report contains nine recommendations to the department. These recommendations address areas where management, internal controls, and compliance with laws and regulations can be improved. Other areas of concern deemed not to have a significant effect on the successful operations of the department programs are not specifically included in the report, but have been discussed with management.

We reviewed compliance with state laws that could have a material impact on the financial schedules of the department. In our opinion the department complied with state laws and regulations tested. Nothing came to our attention that caused us to believe untested items are not in accordance with applicable laws and regulations.

In accordance with section 5-13-307, MCA, we analyzed the costs of implementing the recommendations made in the report. Each report section discloses the cost, if significant, of implementing the recommendation.

To meet federal reporting requirements the body of the audit report discusses instances of noncompliance with federal laws and regulations.

We thank the director and his staff for their cooperation and assistance during our audit.

BACKGROUND

The Department of Health and Environmental Sciences (DHES) was established by law in 1901 as the Board of Health. The department was renamed and reorganized as a result of the Executive Reorganization Act of 1971.

The general rules governing the department are detailed in Title 50, MCA (Health and Safety). The department administers the state program for comprehensive health planning.

To administer the laws, the department is organized into four divisions:

1. Financial Management Division
2. Management Services Division
3. Health Services and Medical Facilities Division
4. Environmental Sciences Division

The responsibilities of the divisions include: administrative and fiscal functions; analysis of public drinking water; licensing and analysis of health facilities; air quality testing; review and preparation of environmental impact statements; and the prevention and treatment of disabling diseases.

The Board of Health and Environmental Sciences is attached to the department. The board consists of seven members appointed by the governor. The board advises the department in public health matters. It has the authority to establish rules and hold hearings on health matters, such as air quality, water quality and solid waste management.

The department has approximately 224 full-time equivalent employees authorized. Expenditures for fiscal years 1982-83 and 1983-84 were \$18.8 million and \$20 million, respectively. Total revenues collected during the two fiscal years were \$15.5 million and \$16.5 million, respectively. Eighty percent of the department's revenue was federal assistance.

The department headquarters are located in the Cogswell Building in Helena. The majority of employees work in Helena, but the department also has employees located in other cities. The department works with county health departments throughout the state and contracts with counties, individuals, and private

organizations in administering the state health and environmental programs.

GRANT CLOSE-OUT

DHES had \$157,264 of cash in the Federal Special Revenue Fund which could not be identified with a specific grant. The cash had accumulated over the years in an account which was used to record the activity for several federal grants. DHES officials said they were unable to identify the specific source. Therefore, DHES transferred \$106,051 to the General Fund and \$51,213 to the Indirect Cost Account of the Special Revenue Fund.

Department officials indicated the moneys could have been received as federal indirect cost reimbursement or federal grant funds reimbursing the state for eligible grant expenditures paid with other state moneys. If this is what happened, then the department may have properly transferred the moneys. However, it is also possible these funds are unexpended grant moneys which should be refunded to the federal government.

Since the department could not provide adequate documentation to support the transfer of these funds, we could not determine if the \$157,264 in transfers were proper.

RECOMMENDATION #1

WE RECOMMEND THE DEPARTMENT PROVIDE ADEQUATE DOCUMENTATION TO SUPPORT THE TRANSFERS MADE TO THE GENERAL FUND AND TO THE INDIRECT COST ACCOUNT OF THE SPECIAL REVENUE FUND.

INDIRECT COSTS

The federal government allows reimbursement of state agencies for indirect costs incurred in the administration of federal grants. In fiscal year 1981 the Governor's Office issued a Management Memo, 4-81-7, concerning the accounting for indirect costs. The memo states in part:

"Upon receipt of a reimbursement for indirect costs associated with federal grants and contracts, the agency will determine the amount of reimbursement due to the costs included in Part I of the Statewide Cost Allocation Plan (SWCAP) and deposit that amount into the state General Fund using revenue objects associated with federal indirect cost reimbursement. That portion of the reimbursement due to internal indirect costs will be deposited into the fund in which the costs were incurred (which may or may not be the State General Fund) using revenue objects associated with federal indirect cost reimbursements."

In fiscal years 1983 and 1984 DHES did not reimburse the General Fund in accordance with the management memo. The General Fund was reimbursed only for SWCAP costs and not for other indirect costs paid from the General Fund.

The department's records indicate that 45.08 percent of total indirect costs were incurred by the General Fund. In fiscal year 1984 the department collected \$377,874 of indirect cost reimbursement. If the department had followed the management memo \$170,346 ($377,874 \times 45.08\%$) would have been reimbursed to the General Fund. However, the department only reimbursed the General Fund \$45,080. This caused a short fall to General Fund of \$125,265. In fiscal year 1983 the General Fund was under reimbursed by \$91,942.

DHES officials and the Office of Budget and Program Planning (OBPP) officials agreed that DHES was not in compliance with the executive Management Memo. However, they indicated the indirect cost reimbursements were considered when the appropriations were established for DHES.

RECOMMENDATION #2

WE RECOMMEND THE DEPARTMENT REIMBURSE THE GENERAL FUND FOR INDIRECT COSTS IN ACCORDANCE WITH THE EXECUTIVE MANAGEMENT MEMO.

FEDERAL COMPLIANCE

Our audit of federal moneys was performed in accordance with the requirements in the U.S. Office of Management and Budget "Circular A-102, Attachment P." The circular provides for audits of financial operations, including compliance with certain provisions of federal laws and regulations.

The Department of Health and Environmental Sciences was a grantee receiving federal funds from the federal agencies listed on pages 22 and 23. We reviewed the major compliance areas in the Maternal and Child Health Services Block Grant (MCH); Preventive Health and Health Services Block Grant (PHHS); Women, Infant, and Children (WIC); and Child Nutrition grants. Areas reviewed included: 1) eligibility determination, 2) specific grant provisions, 3) cost allowability, and 4) grantor reporting.

Based on our examination, we found that, for the items tested, except for items discussed in the following five subsections of this script and the item relating to Grant Close-out on page 3, the department complied with the material terms and conditions of the federal grant regulations. Nothing came to our attention that causes us to believe untested items are not in accordance with applicable laws and regulations.

WIC Subrecipient

As part of our audit we visited three programs at counties which are subrecipients of Women, Infants, and Children (WIC) grant moneys administered through DHES. The objective of our visit was to determine if the subrecipients were complying with federal requirements for the program. We noted the following concern.

One subrecipient did not keep support documentation in each WIC participant's file documenting that the individual met the financial eligibility criteria. Federal regulations require that this information be maintained on file and available for review.

Federal regulations require that the state administering agency ensure that local recipient agencies develop and implement a financial management system consistent with federal regulations.

RECOMMENDATION #3

WE RECOMMEND THE DEPARTMENT ENSURE SUBRECIPIENTS MAINTAIN ADEQUATE WIC SUPPORT DOCUMENTATION IN ACCORDANCE WITH FEDERAL REGULATIONS.

Block Grant Subrecipient

DHES is the state's administering agent for two federal block grants. The two block grants are the Maternal and Child Health Services Block Grant (MCH) and the Preventive Health and Health Services Block Grant (PHHS). As part of the administration of the block grants, the department enters into contracts with the counties. The contracts outline the provisions that the counties must follow to receive block grant moneys. We visited three counties to determine if they were complying with the terms of their contract. We noted the following exceptions:

1. One county used MCH funds to finance county health programs which were not allowable services per the contract. MCH block grant funds are to be used only for maternal and child health programs. The county used MCH funds to determine the health needs of the county as a whole. We question the allowability of \$2,782 of costs claimed.
2. One county did not spend \$30,000 in the time period outlined in its contract. The county had entered into a contract to spend \$90,112 on maternal and child health programs between July 1, 1982 and June 30, 1983. On July 1, 1983, \$30,000 of this contract was not spent. The county established a reserve to spend the money in a future period. The contract did not allow the establishment of such a reserve.
3. The MCH contracts with the counties outline income limits for which fees are to be charged to the public. If an individual's income is greater than the maximum amount specified by the contract, that person may be charged a fee for the services received. The fee varies based on a family size, income, and ability to pay. We noted two counties where the fees were charged to individuals whose incomes were less than the maximum specified in the MCH contracts. In accordance with

the contract provisions, these individuals should have received the services free of charge rather than paying for the service.

4. The PHHS contracts for fiscal year 1982-83 included the following clause, "By September 30, 1983 submit a report to DHES documenting the extent to which services described were actually provided." One county had not prepared this report as of November 1984.

We discussed these areas of noncompliance with the department officials. They stated that they do not have procedures to determine county compliance with DHES contracts.

RECOMMENDATION #4

WE RECOMMEND THE DEPARTMENT:

- A. ESTABLISH A SYSTEM TO ENSURE COUNTIES COMPLY WITH THE PROVISIONS OUTLINED IN THE BLOCK GRANT CONTRACTS.
- B. REQUEST THE COUNTY RETURN THE \$2,782 SPENT ON UNALLOWABLE COSTS.

Audits of Subrecipients

OMB Circular A-102, Attachment P, and other federal regulations which apply to block grants require that subrecipients of federal grants be audited in accordance with Attachment P or other federal regulations. During our audit period, DHES did not ensure audits were being conducted for subrecipients. Federal funds (MCH and PHHS Block) distributed to local (56 counties) governments by DHES totalled \$1,040,832 in fiscal year 1982-83 and \$1,272,973 in fiscal year 1983-84. Federal funds were also sub-granted for the WIC and Child Nutrition programs.

DHES did not include subrecipient audit requirements in its fiscal year 1982-83 contracts with the counties. The fiscal year 1983-84 contracts did contain a provision requesting the subrecipient to comply with the audit requirements stated in OMB Circular A-102, Attachment P. However, no follow-up was performed by DHES to ensure the counties adhered to the contract provision.

The Local Governmental Services Division of the Department of Commerce, or a public accounting firm under contract with Department of Commerce, audit the subrecipients of DHES block grants. Officials of the Local Government Services Division stated Attachment P audits were not conducted during our audit period. An audit plan has been implemented by the Local Government Services Division, under which local government audits, for fiscal year 1984, will be performed in accordance with the provisions of Attachment P.

As a grantor, DHES should include all audit requirements in the subgrant contracts. If the subgrantee does not comply with the contract provision, DHES should consider withholding funds.

RECOMMENDATION #5

WE RECOMMEND THE DEPARTMENT REQUIRE SUBRECIPIENTS TO OBTAIN AUDITS IN ACCORDANCE WITH FEDERAL REGULATIONS.

Federal Reporting Requirements

The 1983 federal report on the Preventive Health and Health Services Block Grant did not describe the progress the counties (subrecipients of the grant) have made toward achieving the goals for which the funds were provided. Federal regulations require that the department include this information in its report to the federal government.

RECOMMENDATION #6

WE RECOMMEND THE DEPARTMENT PREPARE FEDERAL REPORTS IN ACCORDANCE WITH FEDERAL REGULATIONS.

CASH CUTOFF

Department of Administration (DofA), Accounting Division, provides agencies with written instruction during the fiscal year-end period to ensure financial statements will properly reflect

financial activity of the agency. DofA established special control accounts which are to be used to record cash paid or received during the year-end period. Proper use of these special accounts ensures that cash will be properly stated at June 30.

According to the year-end instructions, there are certain transactions involving the cash, where it is inappropriate to use the special control accounts. Accounts receivable and accounts payable of \$23,169 in the General Fund and \$44,034 in the Special Revenue Fund in fiscal year 1983-84 were overstated because the department improperly used the special control accounts when it should have used the regular cash control accounts.

RECOMMENDATION #7

WE RECOMMEND THE DEPARTMENT PROPERLY RECORD CASH TRANSACTIONS DURING THE FISCAL YEAR-END PERIOD.

FUND BALANCES

The department improperly recorded accounting entries to zero out their fund balances in the Special Revenue Fund during fiscal years 1982-83 and 1983-84. The department erroneously recorded these transactions in two instances.

In the first instance, the department accounting personnel netted accounts receivable against deferred revenue when they zeroed out the fund balance. This procedure fails to properly disclose assets and liabilities on the state's financial records. The department should record all assets and all liabilities on its financial statements. In fiscal year 1983-84 accounts receivable on the state's accounting records were understated and deferred revenue was overstated by approximately \$55,000.

In the second instance, the department erroneously zeroed out fund balances in accounts which should have had a fund balance at fiscal year-end. This occurred in the accounts used to record activities for federal indirect costs and the film library. Each of these activities should report a fund balance at fiscal

year-end because the balances in the accounts were earned by DHES. Fund balance on the state's financial records is understated by \$322,000 because the department zeroed out the balance in the indirect cost pool and in the film library.

RECOMMENDATION #8

WE RECOMMEND THE DEPARTMENT PROPERLY ACCOUNT FOR ACCOUNTS RECEIVABLE, DEFERRED REVENUE, AND FUND BALANCE.

INTERNAL CONTROL

We have examined the financial statements of the Department of Health and Environmental Sciences for the two fiscal years ended June 30, 1984. We issued our opinion dated November 9, 1984, on these statements. As part of our examination, we made a study and evaluation of the department's system of control. Our study evaluated the system as required by generally accepted governmental auditing standards for financial and compliance audits. We classified the controls in the following categories:

1. revenue/receipts;
2. expenditures;
3. payroll;
4. accounts payable;
5. accounts receivable;
6. plant, property, and equipment;
7. cash; and
8. data processing input/processing/output controls.

Our study included the categories listed above. Through our study, we determined the nature, timing, and extent of our auditing procedures. We applied alternative audit tests to cash, accounts payable, and accounts receivable because the audit could be performed more efficiently by expanding substantive audit work. We did not evaluate the control system to the extent necessary to give an opinion on either individual segments or the system as a whole.

The management of the Department of Health and Environmental Sciences is responsible for establishing and maintaining a system of accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable assurance that: 1) assets are safeguarded against loss from unauthorized use or disposition; 2) transactions are executed in accordance with management's authorization; and 3) transactions are recorded properly to permit the preparation of financial statements in accordance with state accounting policies. Inherent limitations in any system of controls may cause errors or irregularities to remain undetected. The current system evaluation should not be used to project to future periods since the procedures may become inadequate or compliance with them may deteriorate.

The limited purpose of our study described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of controls used by the department. However, our study disclosed a condition that could result in financial statement errors that would be difficult to detect. This condition relating to the payment of terminating employees is discussed on page 11.

This condition was considered in determining the nature, timing, and extent of the audit tests of the financial statements and this report does not affect our report on the financial statements dated November 9, 1984.

The preceding four paragraphs are intended solely for the use of management and the legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of this document which, upon presentation to the Legislative Audit Committee, is a matter of public record.

Termination Pay

We reviewed employee terminations at the department. In six out of the seven terminations tested, terminated employees were paid for holidays that occurred after their termination date.

These employees received a lump sum payment for their vacation and sick leave upon their termination. Under state personnel policy these employees are not entitled to be paid for holidays as if they had used their vacation before termination. One of these employees repaid the amount he should not have been paid. However, payments to the additional five employees amounting to \$623 have not been recovered. We also noted that one employee was allowed to take nine hours of compensatory time per day during his last work week. State personnel policy specifies that compensatory time must only be taken during regular work hours.

RECOMMENDATION #9

WE RECOMMEND THE DEPARTMENT:

- A. ESTABLISH PROCEDURES TO ENSURE TERMINATING EMPLOYEES ARE ONLY PAID FOR HOLIDAYS IN ACCORDANCE WITH STATE POLICY.
- B. ESTABLISH PROCEDURES TO ENSURE TERMINATING EMPLOYEES ARE PROPERLY COMPENSATED FOR COMPENSATORY TIME.
- C. RECOVER PAYMENTS ERRONEOUSLY MADE TO EMPLOYEES FOR HOLIDAYS THAT OCCURRED AFTER THEIR TERMINATION DATE.

PRIOR AUDIT RECOMMENDATIONS

The previous audit of the department, for the two fiscal years ended June 30, 1982, contained fifteen recommendations. Of the eleven recommendations still applicable to the department's operations, 5 have been implemented, 4 partially implemented, and 2 not implemented.

The department had concurred with the two recommendations they had not implemented. The recommendations which have not been implemented relate to Attachment P audits for subrecipients (page 7) and ensuring counties follow their contract provisions (page 6).

AUDITOR'S REPORT AND AGENCY FINANCIAL STATEMENTS

Office of the Legislative Auditor

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HELENA, MONTANA 59620
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of the Montana State Legislature:

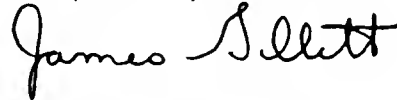
We have examined the Combined Balance Sheet - All Funds and Account Groups, and the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General and Special Revenue Funds, for the Department of Health and Environmental Sciences as of June 30, 1984, and for each of the two fiscal years then ended. Our examination was made in accordance with generally accepted auditing standards and Standards for Audits of Governmental Organizations, Programs, Activities, and Functions and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As noted in Footnote 1, the financial statements presented are only for the Department of Health and Environmental Sciences. Accordingly, the accompanying financial statements are not intended to present fairly the financial position of the state of Montana as of June 30, 1984 or the results of its operations and changes in its fund balances for the two fiscal years then ended, in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph present fairly the financial position of such funds and account groups of the Department of Health and Environmental Sciences as of June 30, 1984 and the results of operations and changes in fund balance of such funds for each of the two fiscal years then ended, in conformity with generally accepted accounting principles which, except for the change, with which we concur, in the method of classifying funds and programs as described in Notes 7 and 9, have been applied on a consistent basis.

Our examination was made for the purpose of forming an opinion on the financial statements referred to in paragraph one. The accompanying Schedules of Federal Grant Receipts and the column on the accompanying financial statements referred to in paragraph one captioned "Total (Memorandum Only)" are not necessary for a fair presentation of the financial statements, but are presented as additional analytical data. The supplemental information has been subjected to the tests and other auditing procedures applied in the examination of the financial statements above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.


Respectfully submitted,

A handwritten signature in cursive script, reading "James H. Gillett".

James H. Gillett, CPA
Deputy Legislative Auditor

November 9, 1984

Approved:

A handwritten signature in cursive script, reading "Robert R. Ringwood".
Robert R. Ringwood
Legislative Auditor

ASSETS

Cash
Accounts Receivable
Due From Other Government
Short-Term Investments
Equipment
Prepayments
Inventory
Available to Pay Current
Amount to be Provided for
of Leave
Total Assets

LIABILITIES AND FUND EQUITY

Accounts Payable
Due to Other Governmental
Property Held in Trust
Deferred Revenue
Due to State of Montana
Obligation for Sick and A
Total Liabilities

FUND EQUITY

Investments in Fixed Assets
Reserved for Inventory
Fund Balance
Total Fund Equity

Total Liabilities and

The notes to the financial

DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES
COMBINED BALANCE SHEET
ALL FUNDS AND ACCOUNT GROUPS
JUNE 30, 1984

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUP		Total (Memorandum Only)
	General	Special Revenue	Agency	General Fixed Asset	General Long- Term Debt	June 30, 1984
ASSETS						
Cash	\$ 2,025	\$2,639,350	\$9,320			\$2,650,695
Accounts Receivable	10,549	99,272				109,821
Due From Other Governmental Entities	88,552	554,133				642,685
Short-Term Investments		22,261				22,261
Equipment				\$2,380,392		2,380,392
Prepayments	25,853	54,932				80,785
Inventory	36,210	26,328				62,538
Available to Pay Current Liabilities	300,647					300,647
Amount to be Provided for Payment of Leave					\$634,475	634,475
Total Assets	<u>\$463,836</u>	<u>\$3,396,276</u>	<u>\$9,320</u>	<u>\$2,380,392</u>	<u>\$634,475</u>	<u>\$6,884,299</u>
LIABILITIES AND FUND EQUITY						
Accounts Payable	\$ 84,997	\$ 774,721				\$ 859,718
Due to Other Governmental Entities	215,650	359,274				574,924
Property Held in Trust			9,320			9,320
Deferred Revenue	500	51,447				51,947
Due to State of Montana	126,479					126,479
Obligation for Sick and Annual Leave					634,475	634,475
Total Liabilities	<u>427,626</u>	<u>1,185,442</u>	<u>9,320</u>		<u>634,475</u>	<u>2,256,863</u>
FUND EQUITY						
Investments in Fixed Assets				\$2,380,392		2,380,392
Reserved for Inventory	36,210	26,328				62,538
Fund Balance		2,184,506				2,184,506
Total Fund Equity	<u>36,210</u>	<u>2,210,834</u>	<u>-0-</u>	<u>2,380,392</u>		<u>4,627,436</u>
Total Liabilities and Fund Equity	<u>\$463,836</u>	<u>\$3,396,276</u>	<u>\$9,320</u>	<u>\$2,380,392</u>	<u>\$634,475</u>	<u>\$6,884,299</u>

The notes to the financial statements are in integral part of this statement.

REVENUES:

Licenses & Permits
Service Fees
Investment Earnings
Other Grants and Contracts
Miscellaneous Income
Federal Grants
Total Revenues

EXPENDITURES:

Financial Management Division
Management Services Division
Health Services and Medical
Facilities Division
Director's Office
Environmental Sciences Division
Food and Consumer Safety Bureau
Solid Waste Management Bureau
Air Quality Bureau
Occupational Health Bureau
Water Quality Bureau
Total Expenditures

EXCESS OF CURRENT REVENUES OVER
(UNDER) CURRENT EXPENDITURES

Prior Year Adjustments
Prior Period Adjustments

OTHER FINANCING SOURCES (USES):

Support From (To) Consolidated Entity

EXCESS OF REVENUES OVER (UNDER)
EXPENDITURES AND OTHER SOURCES (USES)

FUND BALANCE JULY 1, 1983

FUND BALANCE JUNE 30, 1984

The notes to the financial statements

DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1984

	General Fund			Special Revenue Fund			TOTALS (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:									
Licenses & Permits	\$ 100,000	\$ 139,627	\$ 39,627	\$ 1,212,905	\$ 1,285,433	\$ 72,528	\$ 1,312,905	\$ 1,425,060	\$ 112,155
Service Fees				60,053	96,406	36,353	60,053	96,406	36,353
Investment Earnings				2,000	1,335	(665)	2,000	1,335	(665)
Other Grants and Contracts	31,607	50,134	18,527	667,815	788,993	121,178	699,422	839,127	139,705
Miscellaneous Income		(4,285)	(4,285)	500	270	(230)	500	(4,015)	(4,515)
Federal Grants				14,884,887	14,138,211	(746,676)	14,884,887	14,138,211	(746,676)
Total Revenues	<u>131,607</u>	<u>185,476</u>	<u>53,869</u>	<u>16,828,160</u>	<u>16,310,648</u>	<u>(517,512)</u>	<u>16,959,767</u>	<u>16,496,124</u>	<u>(463,643)</u>
EXPENDITURES:									
Financial Management Division	275,200	265,617	9,583	590,920	558,595	32,325	866,120	824,212	41,908
Management Services Division	518,824	517,282	1,542	353,203	345,842	7,361	872,027	863,124	8,903
Health Services and Medical Facilities Division	1,078,726	1,010,573	68,153	12,032,674	11,650,805	381,869	13,111,400	12,661,378	450,022
Director's Office	636,806	510,855	125,951	247,849	246,414	1,435	884,655	757,269	127,386
Environmental Sciences Division	59,124	58,997	127	23,441	23,204	237	82,565	82,201	364
Food and Consumer Safety Bureau	351,874	342,139	9,735	204,000	181,841	22,159	555,874	523,980	31,894
Solid Waste Management Bureau	126,674	125,991	683	3,408,581	1,345,651	2,062,930	3,535,255	1,471,642	2,063,613
Air Quality Bureau	323,787	280,114	43,673	971,921	858,343	113,578	1,295,708	1,138,457	157,251
Occupational Health Bureau	173,227	167,876	5,351				173,227	167,876	5,351
Water Quality Bureau	219,406	211,209	8,197	1,419,568	1,305,439	114,129	1,638,974	1,516,648	122,326
Total Expenditures	<u>3,763,648</u>	<u>3,490,653</u>	<u>272,995</u>	<u>19,252,157</u>	<u>16,516,134</u>	<u>2,736,023</u>	<u>23,015,805</u>	<u>20,006,787</u>	<u>3,009,018</u>
EXCESS OF CURRENT REVENUES OVER (UNDER) CURRENT EXPENDITURES	(3,632,041)	(3,305,177)	326,864	(2,423,997)	(205,486)	2,218,511	(6,056,038)	(3,510,663)	2,545,375
Prior Year Adjustments	61,887	61,887	-0-	62,487	62,487	-0-	124,374	124,374	-0-
Prior Period Adjustments				38,496	38,496	-0-	38,496	38,496	-0-
OTHER FINANCING SOURCES (USES):									
Support From (To) Consolidated Entity	<u>3,570,154</u>	<u>3,243,290</u>	<u>(326,864)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,570,154</u>	<u>3,243,290</u>	<u>(326,864)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)	-0-	-0-	-0-	(2,323,014)	(104,503)	2,218,511	(2,323,014)	(104,503)	2,218,511
FUND BALANCE JULY 1, 1983	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,315,337</u>	<u>2,315,337</u>	<u>-0-</u>	<u>2,315,337</u>	<u>2,315,337</u>	<u>-0-</u>
FUND BALANCE JUNE 30, 1984	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (7,677)</u>	<u>\$ 2,210,834</u>	<u>\$ 2,218,511</u>	<u>\$ (7,677)</u>	<u>\$ 2,210,834</u>	<u>\$ 2,218,511</u>

The notes to the financial statements are an integral part of this statement.

REVENUES:

Licenses & Permits
Service Fees
Investment Earnings
Other Grants and Contracts
Miscellaneous Income
Federal Grants
Total Revenues

EXPENDITURES:

Hospital & Medical Facilities Division
Management Services Division
Laboratory Division
Health Services Division
Director's Office
Food and Consumer Safety Bureau
Solid Waste Management Bureau
Air Quality Bureau
Occupational Health Bureau
Water Quality Bureau
Environmental Sciences Division
Subdivision Bureau
Legal Division
Total Expenditures

EXCESS OF CURRENT REVENUES OVER
(UNDER) CURRENT EXPENDITURES

Prior Year Adjustments
Prior Period Inventory Adjustment

OTHER FINANCING SOURCES (USES):

Fund Reclassification
Support From (To) Consolidated Entity

EXCESS OF REVENUES OVER (UNDER)
EXPENDITURES AND OTHER SOURCES (USES)

END BALANCE JULY 1, 1982

END BALANCE JUNE 30, 1983

See notes to the financial statements

DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1983

	General Fund			Special Revenue Fund			TOTALS (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:									
Licenses & Permits	\$ 200,000	\$ 217,245	\$ 17,245	\$ 1,400,000	\$ 798,649	\$ (601,351)	\$ 1,600,000	\$ 1,015,894	\$ (584,106)
Service Fees				61,200	84,937	23,737	61,200	84,937	23,737
Investment Earnings				2,300	2,426	126	2,300	2,426	126
Other Grants and Contracts	61,800	79,312	17,512	1,996,297	939,476	(1,056,821)	2,058,097	1,018,788	(1,039,309)
Miscellaneous Income				500	684	184	500	684	184
Federal Grants				15,935,762	13,411,880	(2,523,882)	15,935,762	13,411,880	(2,523,882)
Total Revenues	<u>261,800</u>	<u>296,557</u>	<u>34,757</u>	<u>19,396,059</u>	<u>15,238,052</u>	<u>(4,158,007)</u>	<u>19,657,859</u>	<u>15,534,609</u>	<u>(4,123,250)</u>
EXPENDITURES:									
Hospital & Medical Facilities Division	546,516	517,395	29,121	1,333,856	956,940	376,916	1,880,372	1,474,335	406,037
Management Services Division	292,316	289,810	2,506	544,121	471,509	72,612	836,437	761,319	75,118
Laboratory Division	378,834	378,834		258,488	252,126	6,362	637,322	630,960	6,362
Health Services Division	865,651	828,505	37,146	12,001,321	9,627,198	2,374,123	12,866,972	10,455,703	2,411,269
Director's Office	300,862	153,871	146,991	698,202	558,240	139,962	999,064	712,111	286,953
Food and Consumer Safety Bureau	482,763	473,964	8,799				482,763	473,964	8,799
Solid Waste Management Bureau	68,327	60,409	7,918	1,417,554	1,099,427	318,127	1,485,881	1,159,836	326,045
Air Quality Bureau	276,693	276,693		920,781	729,683	191,098	1,197,474	1,006,376	191,098
Occupational Health Bureau	160,096	154,234	5,862	162,816	132,523	30,293	322,912	286,757	36,155
Water Quality Bureau	288,841	253,955	34,886	1,500,511	1,159,486	341,025	1,789,352	1,413,441	375,911
Environmental Sciences Division	93,262	88,738	4,524	19,390	18,201	1,189	112,652	106,939	5,713
Subdivision Bureau	58,000	12,824	45,176	187,136	147,957	39,179	245,136	160,781	84,355
Legal Division				254,897	158,639	96,258	254,897	158,639	96,258
Total Expenditures	<u>3,812,161</u>	<u>3,489,232</u>	<u>322,929</u>	<u>19,299,073</u>	<u>15,311,929</u>	<u>3,987,144</u>	<u>23,111,234</u>	<u>18,801,161</u>	<u>4,310,073</u>
EXCESS OF CURRENT REVENUES OVER (UNDER) CURRENT EXPENDITURES	(3,550,361)	(3,192,675)	357,686	96,986	(73,877)	(170,863)	(3,453,375)	(3,266,552)	186,823
Prior Year Adjustments	(40,616)	(40,616)		246,919	246,919		206,303	206,303	
Prior Period Inventory Adjustment	40,494	40,494		26,437	26,437		66,931	66,931	
OTHER FINANCING SOURCES (USES):									
Fund Reclassification				23,814	23,814		23,814	23,814	
Support From (To) Consolidated Entity	<u>3,550,483</u>	<u>3,192,797</u>	<u>(357,686)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,550,483</u>	<u>3,192,797</u>	<u>(357,686)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)	-0-	-0-	-0-	394,156	223,293	(170,863)	394,156	223,293	(170,863)
FUND BALANCE JULY 1, 1982	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,880,273</u>	<u>2,092,044</u>	<u>211,771</u>	<u>1,880,273</u>	<u>2,092,044</u>	<u>211,771</u>
FUND BALANCE JUNE 30, 1983	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,274,429</u>	<u>\$ 2,315,337</u>	<u>\$ (40,908)</u>	<u>\$ 2,274,429</u>	<u>\$ 2,315,337</u>	<u>\$ (40,908)</u>

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES (DHES)

NOTES TO THE FINANCIAL STATEMENTS

TWO FISCAL YEARS ENDING JUNE 30, 1984

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The preceding financial statements were prepared from the Statewide Budgeting and Accounting System.

The Department of Health and Environmental Sciences utilizes the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recorded on the basis of incurred costs or legal liability and revenues are recorded when received in cash unless susceptible to accrual. Revenues are susceptible to accrual if they are measurable and available to finance expenditures of the fiscal period or are not received at the normal time of receipt.

b) Description of Funds

On July 1, 1979, the state of Montana accounts were organized by a fund structure as outlined in section 17-02-102, MCA, (temporary). For financial presentation, these funds have been classified according to the Governmental Accounting and Financial Reporting Principles Statement 1 issued by the National Council on Governmental Accounting.

GOVERNMENTAL FUND TYPES

General Fund -- To account for receipt and expenditure of money allocated to the department by the state for support of the department's programs and agency administration.

Special Revenue Fund -- To account for the proceeds from specific revenue sources that are legally restricted to expenditure for specified purposes.

Agency Fund -- Accounts for assets held as an agent by the department for other governments.

ACCOUNT GROUPS

General Fixed Assets -- Accounts for all land, buildings, and equipment of the department. Fixed assets are valued at cost. No depreciation is recorded on general fixed assets.

General Long-Term Debt -- Accounts for general unmatured long-term indebtedness of the governmental unit.

c) Annual and Sick Leave

Annual leave and sick leave costs are not recorded until leave is taken. Upon termination, qualifying employees with unused accumulated annual and sick leave receive 100 percent payment for annual leave and 25 percent payment for sick leave. The liability amount associated with unused annual and sick leave at June 30, 1984 is \$223,798 for sick leave and \$410,677 for annual leave.

d) Budget Information

The state utilizes a fixed biennial basis of budgeting. Under this method, appropriations of a specific dollar amount are set for the biennium. Budgets for the department are adopted on a biennium basis by the Montana State Legislature for all operating entities. In accordance with generally accepted accounting principles, budgets are adopted for the General and Special Revenue Funds. At the end of each year, General Fund and Special Revenue Fund appropriation authority revert to the fund of original appropriation. The reverted appropriation authority may be used in the subsequent year as authorization for valid prior year obligations. Budget amendments represent the authorization to spend funds not available for consideration by the legislature. They are subject to approval of the Governor.

2. EMPLOYEES' RETIREMENT SYSTEM

The department employees are covered by the Public Employees' Retirement System (PERS). Under the plan, the department contributed 6.32 percent of an employee's gross wages

in fiscal year 1983-84. The employees contributed 6 percent of gross wages to PERS. The department contributed \$310,795 in fiscal year 1983-84, and \$307,178 in fiscal year 1982-83.

The state's policy is to fund accrued pension costs. At June 30, 1984, the Public Employees' Retirement System was actuarially sound according to a report by the System's actuary. The unfunded past service and the actuarially computed value of vested benefits for employees of DHES cannot be separated from those amounts computed for the system taken as a whole.

3. INVENTORIES

Supplies inventories are expensed at the time of purchase. The inventory is taken once a year at fiscal year end and booked on SBAS at cost.

4. ACCOUNTS RECEIVABLE

Based on past experience of collectibility, the accounts receivable balance shown on the accompanying balance sheet does not include an allowance for doubtful accounts.

5. GENERAL FUND BALANCE

The General Fund is a statewide fund. Agencies do not have a separate general fund, since their only authority is to pay obligations from the statewide General Fund as long as they stay within their appropriation limits. Thus, on an agency's financial statements, the beginning and ending fund balance will always be zero.

6. INSURANCE

The department is insured through insurance plans administered by the Department of Administration.

7. CHANGES IN ACCOUNTING PROCEDURES

The department changed its Proprietary Funds to Special Revenue Funds with the approval of the Legislative Subcommittee. The Legal Unit, Data Processing Unit, and the Film Library were moved from Proprietary Funds to the Special Revenue Fund.

8. SUPPLEMENTAL INFORMATION

The items on the financial statements titled Total (Memorandum Only) are not necessary for fair presentation, but represent supplemental information and not consolidated financial information.

9. PROGRAM REVISION

In fiscal year 1983-84, the department revised its program structure to consolidate several of its programs into the new department organization structure as follows:

New Structure

Director's Office
Director's Office
Financial Management Division
Environmental Sciences Division
Environmental Sciences Division
Environmental Sciences Division
Environmental Sciences Division
Environmental Sciences Division
Environmental Sciences Division
Management Services Division
Health Services and Medical
Facilities Division
Health Services and Medical
Facilities Division

Old Structure

Director's Office
Legal Division
Management Services Division
Food & Consumer Safety Bureau
Solid Waste Management Bureau
Air Quality Bureau
Occupational Health Bureau
Water Quality Bureau
Subdivision Bureau
Laboratory Division
Hospital and Medical Facilities
Division
Health Services Division

GRANT NAME

Health Planning
Health Statistics
Preventive Health Block
Immunization
Venereal Disease
Medicare Cert. Title 18
Medicaid Cert. Title 19
Behavioral Risk Surveillance
Hazardous Waste
East Helena Blood-Lead Study
Super Fund
Air Quality
Water Quality 106
Safe Drinking Water
Construction Grant
Water Quality Man. (205J)
Hazardous Waste Inventory
MCH Block
Improved Pregnancy Outcome
Family Planning - Title X
Child Nutrition
WIC

TOTALS

The fiscal year 1982-83 grant
The grant numbers on the rece
up under a similar grant numb

DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES
SCHEDULE OF FEDERAL GRANT RECEIPTS
FOR THE FISCAL YEAR ENDING JUNE 30, 1984

AMOUNT RECEIVED

<u>GRANT NAME</u>	<u>GRANT NUMBER</u>	<u>DIRECT</u>	<u>INDIRECT</u>	<u>TOTAL</u>	<u>AGENCY</u>
Health Planning	08-P-000073-08	\$ 268,975	\$ 24,041	\$ 293,016	DHHS
Health Statistics	282-83-2030	45,818	293	46,111	DHHS
Preventive Health Block	9-84B1MTPRVS	608,643	-0-	608,643	DHHS
Immunization	08H-000011-13-2	137,779	10,182	147,961	DHHS
Venereal Disease	08H-00110-11-2	59,849	5,636	65,485	DHHS
Medicare Cert. Title 18	05-8205MT5000	307,789	29,811	337,600	DHHS
Medicaid Cert. Title 19	05-7805MCH118-2	77,197	8,297	85,494	DHHS
Behavioral Risk Surveillance	U50/CCU800588-01	5,182	-0-	5,182	DHHS
Hazardous Waste	D008350-84-1	200,208	15,076	215,284	EPA
East Helena Blood-Lead Study	U61/CCU800529-01-3	298,536	863	299,399	DHHS
Super Fund	V008415-014-16-01	433,876	3,454	437,330	EPA
Air Quality	A008160840	531,262	36,063	567,325	EPA
Water Quality 106	I008300-84-0	366,635	39,402	406,037	EPA
Safe Drinking Water	F00814684-0	320,477	22,357	342,834	EPA
Construction Grant	C300000-84-1	337,820	28,030	365,850	EPA
Water Quality Man. (205J)	C-300000-21-0	155,960	11,590	167,550	EPA
Hazardous Waste Inventory		28,109	2,997	31,106	EPA
MCH Block	3-84B1MTMCHS	2,060,688	-0-	2,060,688	DHHS
Improved Pregnancy Outcome	08H-00463	283,628	11,365	294,993	DHHS
Family Planning - Title X	08H000094-12	685,250	13,748	698,998	DHHS
Child Nutrition	12-35-3083	2,185,002	11,342	2,196,344	USDA
WIC	12-35-3083	5,257,522	18,466	5,275,988	USDA
TOTALS		<u>\$14,656,205</u>	<u>\$293,013</u>	<u>\$14,949,218</u>	

The fiscal year 1982-83 grant schedule was prepared on a cash basis, the 1983-84 grant schedule was prepared on a modified accrual basis. The grant numbers on the receipt schedule do not agree with the grant numbers on the grant agreements. Several similar grants are rolled up under a similar grant number.

GRANT NAME

Health Planning
Health Statistics
Preventive Health Block
Immunization
Venereal Disease
Risk Reduction
Medicare Cert. Title 18
Medicaid Cert. Title 19
Hazardous Waste
EMS Region 2B
Georgetown
Sacajawea
Air Quality
Air Quality Permit Coord.
EPA Radiation Study
Water Quality 106
Statewide 208
Safe Drinking Water
Construction Grant
MCH Block
Improved Pregnancy Outcome
Statewide Dental Grant
Cleft Palate
Family Planning - Title X
Child Nutrition
WIC
Family Planning - Title XX
Statewide 208 Y-T
EMS Region 3A

TOTALS

The fiscal year 1982-83 grant
The grant numbers on the rece
up under a similar grant numb

DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES
SCHEDULE OF FEDERAL GRANT RECEIPTS
FOR THE FISCAL YEAR ENDING JUNE 30, 1983

AMOUNT RECEIVED

<u>GRANT NAME</u>	<u>GRANT NUMBER</u>	<u>DIRECT</u>	<u>INDIRECT</u>	<u>TOTAL</u>	<u>AGENCY</u>
Health Planning	08-P-000073-07	\$ 239,375	\$ 37,625	\$ 277,000	DHHS
Health Statistics	282-82-2030	47,858	8,142	56,000	DHHS
Preventive Health Block	9-83B1MTPRVS	632,289	-0-	632,289	DHHS
Immunization	08H-000011-11-2	124,351	18,649	143,000	DHHS
Venereal Disease	08H-00110-09-3	58,898	10,102	69,000	DHHS
Risk Reduction	H11/CCH800240-02	25,112	888	26,000	DHHS
Medicare Cert. Title 18	05-8205MT5000	180,525	32,475	213,000	DHHS
Medicaid Cert. Title 19	05-7805MCH118-2	136,514	17,078	153,592	DHHS
Hazardous Waste	D008350-83-1	216,609	26,190	242,799	EPA
EMS Region 2B	08-H000520-01-0	20,000	-0-	20,000	DHHS
Georgetown	S-0082980-01-1	-0-	-0-	-0-	EPA
Sacajawea	S-0082980-01-1	9,155	-0-	9,155	EPA
Air Quality	A008160830	667,143	62,940	730,083	EPA
Air Quality Permit Coord.	A008160830	25,000	-0-	25,000	EPA
EPA Radiation Study	68-01-6100	164,222	15,930	180,152	EPA
Water Quality 106	1008300-83-0	291,037	49,291	340,328	EPA
Statewide 208	P008154017	220,864	19,447	240,311	EPA
Safe Drinking Water	F00814683-0	236,458	37,357	273,815	EPA
Construction Grant	C300000-81-1	230,760	46,317	277,077	EPA
MCH Block	3-83B1MTMCHS	1,640,317	-0-	1,640,317	DHHS
Improved Pregnancy Outcome	08H-00463-03-0	272,543	7,457	280,000	DHHS
Statewide Dental Grant	08D000166-01-2	75,000	-0-	75,000	DHHS
Cleft Palate	MCJ-303015-01	57,000	-0-	57,000	DHHS
Family Planning - Title X	08H000094-11-1	747,218	16,782	764,000	DHHS
Child Nutrition	12-35-3083	1,793,373	11,447	1,804,820	USDA
WIC	12-35-3083	4,653,515	23,813	4,677,328	USDA
Family Planning - Title XX	83020252100	206,550	-0-	206,550	DHHS
Statewide 208 Y-T	P008103-01-4	8,863	-0-	8,863	EPA
EMS Region 3A	08-H-000484-01	190,000	-0-	190,000	DHHS
TOTALS		<u>\$13,170,549</u>	<u>\$441,930</u>	<u>\$13,612,479</u>	

The fiscal year 1982-83 grant schedule was prepared on a cash basis, the 1983-84 grant schedule was prepared on a modified accrual basis. The grant numbers on the receipt schedule do not agree with the grant numbers on the grant agreements. Several similar grants are rolled up under a similar grant number.

AGENCY RESPONSE

DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES



TED SCHWINDEN, GOVERNOR

COGSWELL BUILDING

STATE OF MONTANA

HELENA, MONTANA 59620

February 27, 1985

Robert R. Ringwood, CPA
Legislative Auditor
Room B5, State Capitol
Capitol Station
Helena, MT 59620

Dear Mr. Ringwood:

The Department of Health and Environmental Sciences has reviewed the audit for fiscal years 1983 and 1984. The agency's responses are as follows:

1. GRANT CLOSE-OUT

Conditionally concur.

All of the departments current federal entities (receipts & disbursements) are balanced. The funds referred to in this recommendation are from 7 to 20 years old. The department has attempted over the last 2-3 years to trace these funds but due to the non-availability of financial records and changes of personnel, we are unable to identify the funding source.

2. INDIRECT COSTS

Conditionally concur.

The 1983 Legislature reduced General Fund and increased indirect cost appropriations by \$300,000 for the 1985 Biennium. Based on the action of the legislature, in the appropriation process, it would be impossible for the Department of Health and Environmental Sciences to reimburse the General Fund. This audit exception will continue unless: 1) The legislature general funds the Financial Management Division and directs that all indirect cost recoveries be deposited to the General Fund. 2) Management Memo 4-81-7 is revised to take into consideration the appropriation process.

3. WIC Subrecipient

Concur.

4. Block Grant Subrecipient

A. Concur.

Department will tighten monitoring of required contract reporting. Established formats for program and financial reporting will be developed. At year end, if reports are not provided in time required, the Department will hold the next quarterly allocation until such required reports are provided. If reports are not provided, repayment of the funds will be requested.

B. Concur.

Letter sent requesting repayment of unallowable costs.

5. Audits of Subrecipients

Concur.

The Department of Health and Environmental Sciences will ensure counties adhere to contract provisions. If counties do not have audits in accordance with OMB Circular A-102, Attachment P, funding will be withheld.

6. Federal Reporting Requirements

Concur.

7. CASH CUTOFF

Concur.

8. FUND BALANCES

Concur.

The Department of Health and Environmental Sciences acted on direction from the Department of Administration, Accounting Division to zero out these fund balances at FY end 1984.

9. Termination Pay

A. Concur. Procedures implemented.

B. Concur. Procedure implemented.

C. Concur. Letters sent requesting repayment of overpayment.

Sincerely,



John J. Drynan, M.D., Director
Department of Health & Environmental
Sciences

JJD:ss

